GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1767
ANSWERED ON:10.12.2004
CREATION OF BUSINESS HUBS
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Will the Minister of FINANCE be pleased to state:

(a)whether small farmers agri-business consortium proposes to revamp to convert it into a dynamic venture capital fund for rural business;

(b) if so, the details thereof;

(c) whether the Government also proposes on a model for micro finance institutions to tackle the gamut of issue relating to their registration, regulation and refinancing,

(d) if so, the details thereof; and

(e) the steps taken to create business hubs in rural parts of the country ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S.PALANIMANICKAM)

(a) & (b) The Small Fanners Agri-Business Consoit-im (SFAC) has formulated a scheme to provide Venture Capital Assistance to Agri-Business projects and to set up a project development facility to assist producer groups/organisations in formulation of economically viable agri-business products. The scheme envisages a single window operation for disbursement and disinvestment of venture capital to be operated through the participating banks

(c) & (d) A Task Force on Supportive Policy and Regulatory Framework for microfinance constituted by National Bank for Agriculture and Rural Development (NABARD) in 1999 recommended that Micro Finance Institutions (MFIs) purveying credit only, MFIs purveying credit and mobilising savings from the clients/1 oanees {below certain limits) may be kept out of the regulatory framework and focus instead on self-regulation. Subsequently, the Advisory Committee on flow of credit to agriculture and related matters ccinstituted by the Reserve Bank of India (RBI) in 2002 under the Chairmanship of Prof. V S Vyas expressed views similar to that of Task Force. The Reserve Bank of India has. therefore, decided not to permit Micro Finance Institutions (MFIs) to accept public deposits unless they complied with extant regulatory framework of Reserve Basnk. (e) The Ministry of Panchayati Raj is planning to set up Rural Business Hubs through Panchayati Raj Institutions in the rural areas of the country. The National Bank for Agriculture and Rural Development (NABARD) has been participating in the conceptualisation meetings and NABARD propose to help Panchayati Raj Institutions, in capacity building of their staff and SHGs for running the Hubs through training in maintenance of books of accounts, business skills etc.